

Will Increased Highway Funding Help Rural Areas? By Dennis M. Brown.
Food and Rural Economics Division, Economic Research Service, U.S.
Department of Agriculture. Agriculture Information Bulletin Number 753.

Abstract

Rural areas in the United States stand to benefit from new highway funding legislation, especially the South. The Transportation Equity Act for the 21st Century (TEA-21) authorizes sharply increased funding for major roads and is the single largest public works bill in U.S. history. Over a 6-year period, it will provide \$171 billion to build new roads, widen lanes, put in new interchanges, and construct bridges. Under TEA-21, some spending discrepancies will be addressed and resolved for States that contribute more money into the Federal Highway Trust Fund than they receive in benefits.

Keywords: Federal-aid highways, Federal highway investments, Highway Trust Fund, Federal transportation policies, rural transportation, rural development, highway funding formula, TEA-21, ISTEA, donor States, recipient States.

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Summary

The Transportation Equity Act for the 21st Century (TEA-21), signed into law in June 1998, sharply increases funding for major roads compared with the previous legislation, the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). The single largest public works bill in U.S. history, TEA-21 provides \$171 billion for the Nation's highways through 2003, increasing States' annual share of highway funds by 45 percent, on average.

Investing in highways has often been viewed as an effective economic development strategy, particularly for underdeveloped rural areas. Many of the Nation's rural roads have fallen into a state of disrepair, with nearly 50 percent of county roads and 45 percent of local bridges rated as inadequate for existing travel patterns. Approximately 920,000 miles of roads are eligible for Federal funding out of a total national network of 3.9 million miles. Roads eligible for Federal aid include those in the National Highway System, a 163,000-mile network of the most important roads in the country, such as interstates and other principal arteries covered under the Surface Transportation Program.

TEA-21 guarantees that each State will receive at least a 90.5-percent return on the share of money it contributes to the Highway Trust Fund, providing a minimum level of aid for all States. According to convention, "donor States" are those which contribute more into the Highway Trust Fund than they receive back in benefits. Conversely, "recipient States" receive more in Federal highway aid than they contribute to the Trust Fund. For example, under the previous legislation, South Carolina (donor State) received the least amount of highway funding per dollar contributed, at 73 cents. Alaska (recipient State) received \$5.03 per dollar contributed. States that were donors under ISTEA collectively receive a larger increase in funding under TEA-21 than States that were recipients. Eighty percent of donor States under ISTEA will receive funding increases of 50 percent or more under TEA-21, while only 30 percent of recipient States under ISTEA receive increases of this size.

Many of the States receiving big funding increases are located in the South. Rural highway spending is positively correlated with employment gains in the manufacturing sector, so rural manufacturing-dependent counties in the South may particularly benefit from the increased funding. Mining-dependent counties may also benefit from increased funding since three out of four of these types of counties are located in States receiving big increases. Rural communities that are highly dependent on highways due to their remote locations, such as those in the Rocky Mountain West, may also benefit from TEA-21.

Appalachian States should also benefit from TEA-21, since the legislation provides \$2.25 billion from 1999 to 2003 for the Appalachian Development Highway System, a program that funds construction of highways and access roads in Appalachia. Rural residents and industries located there, such as mining and manufacturing, as well as tourism, recreation, and service industries, may benefit. Rural roads nationwide will also benefit from the \$148 million National Scenic Byways Program, which offers technical assistance and grants to States for the development of recreational use roads.

By increasing the share of Federal aid to States with large rural populations, TEA-21 may result in relatively large increases in highway funding for rural areas nationwide, assuming that States pass on to rural areas a proportionate share of these funds. In particular, providing more money for donor States could help address rural economic inequities and help finance transportation infrastructure improvements there since many donor States tend to have relatively poor rural populations. These changes could also help address the growing highway demands associated with rapidly growing areas in the South and West, possibly alleviating traffic congestion and bringing about further gains in economic efficiency. While increased funding for rural areas will not guarantee development, it increases the likelihood that such development can occur.